

Konica Minolta Group
March 2014 Consolidated Financial Results

Three months : January 1, 2014 – March 31, 2014

Twelve months : April 1, 2013 - March 31, 2014

- Announced on May 9th, 2014 -

Shoei Yamana
President & CEO
Konica Minolta, Inc.

Cautionary Statement:

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

Remarks:

Yen amounts are rounded to the nearest 100 million.

March 2014 Consolidated Financial Results

● Net sales : ¥943.8 bil. (YoY +16%)

- ▶ Konica Minolta achieved an increase in sales as sales growth in the Business Technologies Business drove performance for the entire company.

● Operating income : ¥58.1 bil. (YoY +43%)

- ▶ A significant improvement in profitability in the Business Technologies Business covered a decline in profit in the Industrial Business.
The Healthcare Business also contributed to the increase in profit thanks to the sales growth in DR products.

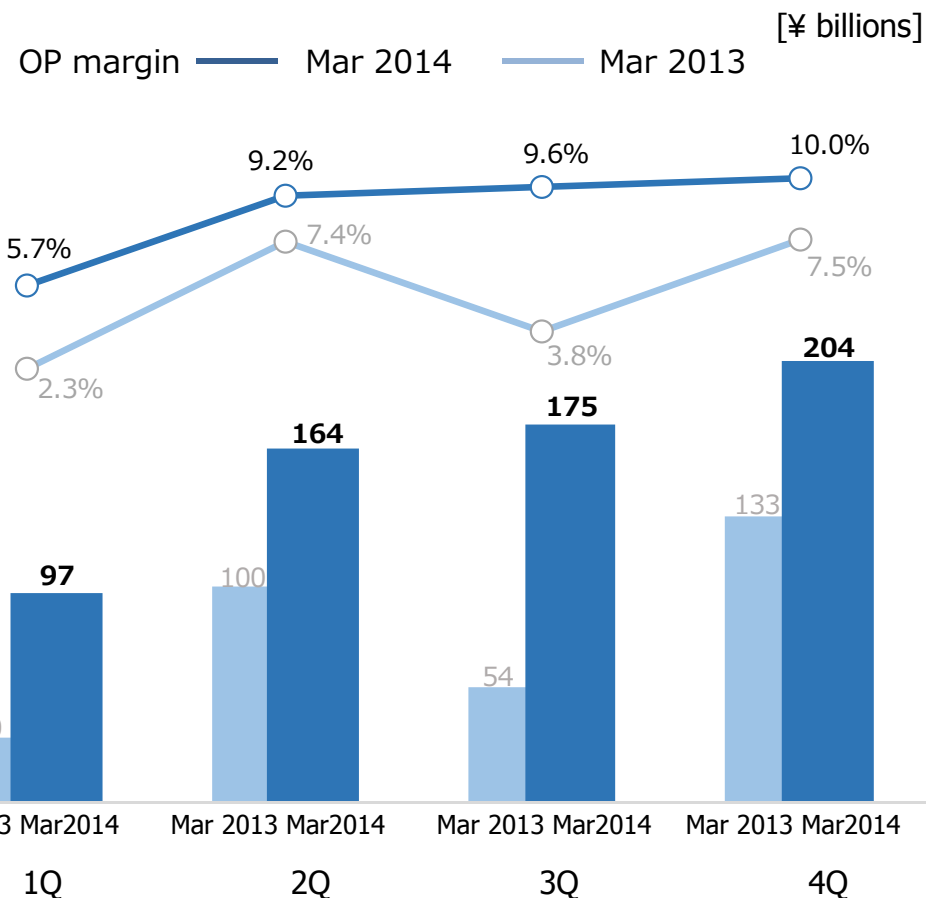
● Net income : ¥21.9 bil. (YoY +45%)

- ▶ Net income increased significantly after factoring in tax effects in the amount of ¥12.2 billion related to a review of deferred tax assets in line with reorganization of the management system despite the recording of ¥28.4 billion in structural reform costs that included withdrawal from the glass substrates for HDDs business.

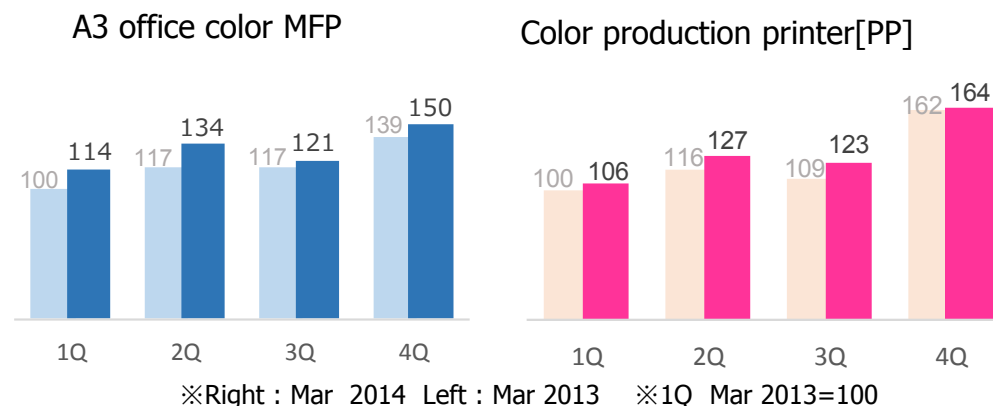
Main points of Mar 2014 financial results

- Profitability improved in a stable manner on a quarterly basis throughout the year due to the continued sales expansion of color models and steady growth in color PVs.

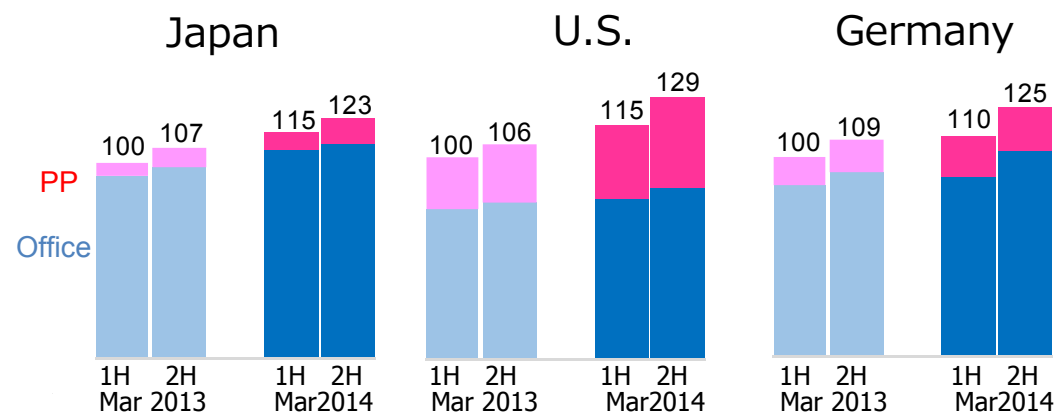
Quarterly OP and OP margin



Unit sales of color printers



Print volume of major sales subsidiaries



Main points of Mar 2014 financial results

- Structural Reform and Review of Deferred Tax Assets

- Konica Minolta implemented structural reforms to strengthen corporate structure and initiatives to improve asset soundness.
- Additional tax effects were recorded after factoring in a future increase in taxable income based on the new medium term management plan as part of a review of deferred tax assets in line with reorganization of the Group's management system in April 2013.
- As a result, net income increased by approximately ¥4.0 billion from the previous forecast (at time of 2Q results).

■ Key structural reform or measure to improve asset soundness and related amount on extraordinary loss

▶ Withdrawal from glass substrates for HDDs business	¥15.1 billion	
▶ Scale-down of lens business for mobile phones	¥1.3 billion	
▶ Special early retirement program	¥3.0 billion	
▶ Restructuring of Business Technologies sales subsidiaries	¥3.2 billion	
▶ Impairment loss on domestic equipment	¥4.1 billion , etc.	Total ¥28.4 billion

■ Tax effects due to a review of deferred tax assets in line with reorganization of the management system

▶ Total at time of 1Q results	¥9.2 billion	
▶ Additional amount at time of 4Q results	¥3.0 billion	Total ¥12.2 billion



March 2014 financial results highlight - Overview

	Mar 2014	Mar 2013	YoY	Mar 2014
	[Billions of yen]			
	※Forecast (Announced on October 31, 2013)			
Net sales	943.8	813.1	16%	930.0
Operating income	58.1	40.7	43%	58.0
<i>Operating income ratio</i>	<i>6.2%</i>	<i>5.0%</i>	-	<i>6.2%</i>
Amortization of goodwill	9.4	9.9	-5%	-
Operating income before amortization of Goodwill (b)	67.5	50.5	34%	-
(b)/(a)	7.2%	6.2%	-	-
Pre-tax Profit	23.5	33.8	-31%	-
Net income	21.9	15.1	45%	18.0
<i>Net income ratio</i>	<i>2.3%</i>	<i>1.9%</i>	-	<i>1.9%</i>
EPS [Yen]	41.38	28.52		-
ROE [%]	4.6	3.4		-
FCF	34.2	3.0		-
FOREX [Yen] USD	100.24	83.10	17.14	98.00
euro	134.37	107.14	27.23	128.00

March 2014 financial results - Segment

Net Sales	[Billions of yen]			
	Mar 2014	Mar 2013	YoY	※ Forecast Mar 2014
Business Technologies	729.8	581.6	25%	720.0
Industrial Business	116.1	146.8	-21%	117.0
Healthcare	82.4	72.8	13%	80.0
Others	15.4	11.9	-	13.0
Group total	943.8	813.1	16%	930.0

Operating income								
	Mar 2014		Mar 2013		YoY	※ Forecast Mar 2014		
Business Technologies	63.9	8.8%	31.7	5.4%	102%	63.0	8.8%	
Industrial Business	15.2	13.1%	23.7	16.1%	-36%	15.0	12.8%	
Healthcare	4.5	5.5%	3.3	4.6%	34%	6.0	7.5%	
Eliminations and Corporate	-25.4	-	-18.0	-	-	-26.0	-	
Group total	58.1	6.2%	40.7	5.0%	43%	58.0	6.2%	

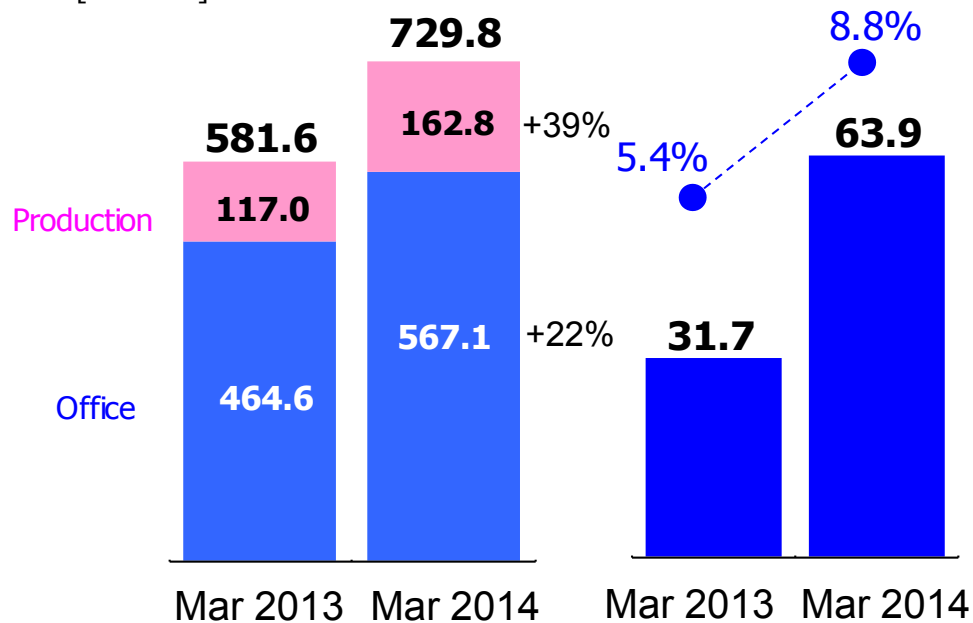
Business Technologies Business - Overview

- **Net sales: ¥729.8 bil. (YoY +25% w/o FOREX +8%)**
Sales increased through sales growth of core products and the effect of M&As and foreign exchange rates.
- **Operating income: ¥63.9 bil. (YoY +102% w/o FOREX +20%)**
Operating income increased significantly as a result of an increase in gross profit in line with sales expansion, improved product mix and cost reductions.

Net sales/Operating income (YoY)

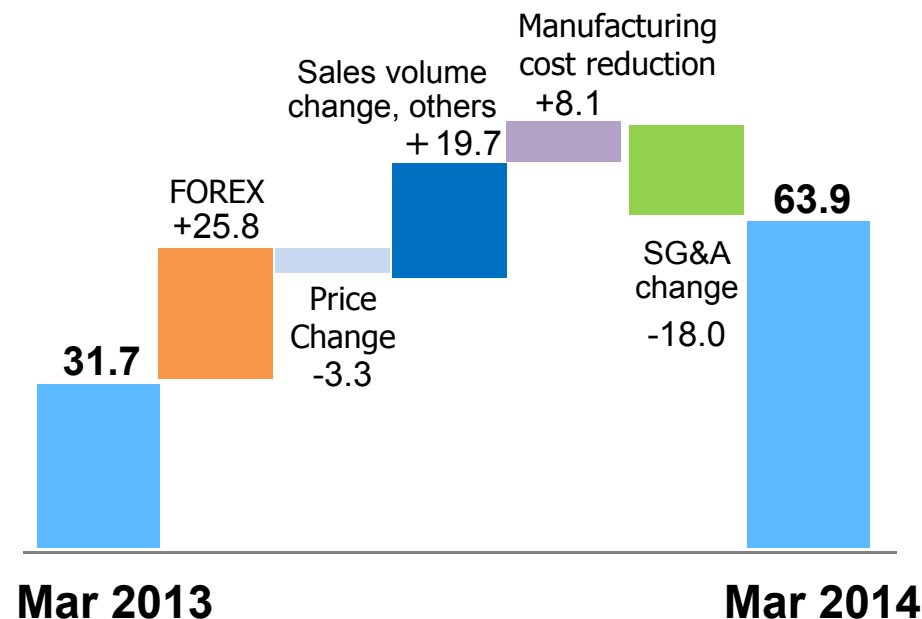
Left: Net sales Right: Operating income ● OP Ratio

[¥ billions]



Operating income analysis

[¥ billions]



Business Technologies Business

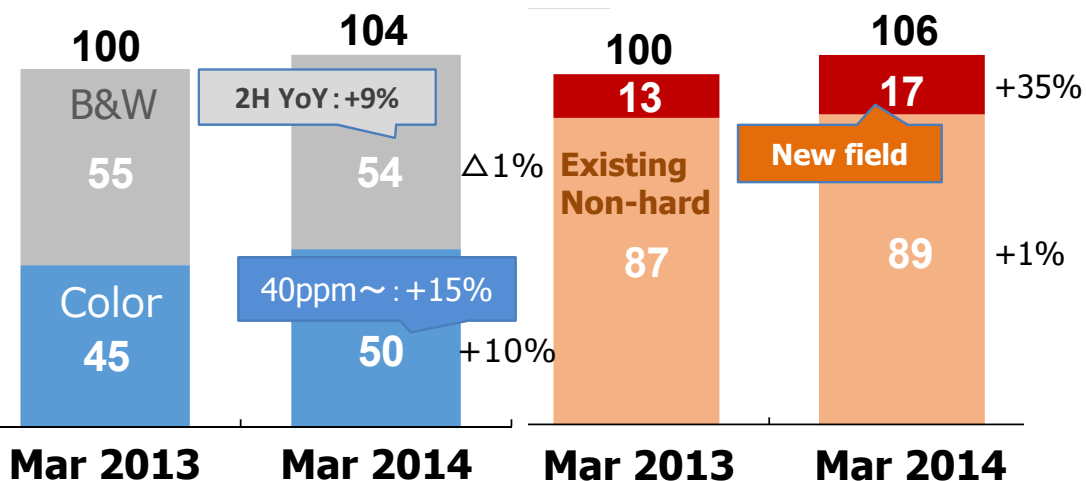
- Sales performance

- Office Field: Sales of A3 color units were strong throughout the year, mainly mid- and high-speed models. Sales of new monochrome units rose favorably from the second half of the year and the Company secured sales volumes on par with the previous year.
- PP Field: Sales of both color and monochrome units exceeded the previous year.
- Non-hardware: Sales expanded favorably in new domains such as IT service and solutions that include M&As along with the office and PP fields.
Year-on-year sales growth was maintained in existing domains.

Office

A3 MFP unit sales, YoY

Non-Hard sales, YoY
(w/o FOREX)



Mar 2013 = 100

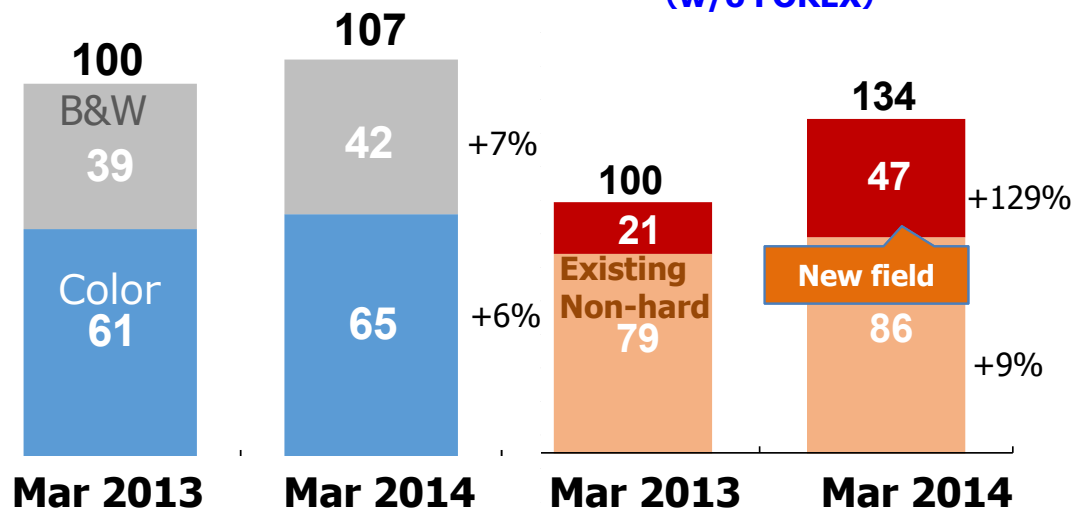
Changes in sales
by region

Region	Japan	U.S.	Europe	China	TTL
(w/o FOREX)	+1%	+1%	+7%	+6%	+4%

Production print

A3 MFP unit sales, YoY

Non-Hard sales, YoY
(w/o FOREX)



Mar 2013 = 100

Changes in sales
by region

Region	Japan	U.S.	Europe	China	TTL
(w/o FOREX)	+12%	+5%	+39%	+25%	+21%

Business Technologies Business - Growth measures

- The Company secured a large contract from one of the world's leading logistics groups with headquarters in Europe (scale of 4,000 units, including MFPs). We also secured new contracts from an SCM support company and a logistics company, etc. as well.
 - Hybrid-type sales became more widespread to small- and medium-sized companies as we continue to build up a successful track record.
- ▶ GMA net sales: ¥21.0 bil. (YoY +41%)
 - ▶ OPS net sales: ¥45.4 bil. (YoY +55%)
 - ▶ IT service solutions net sales: ¥77.9 bil. (YoY +84%)

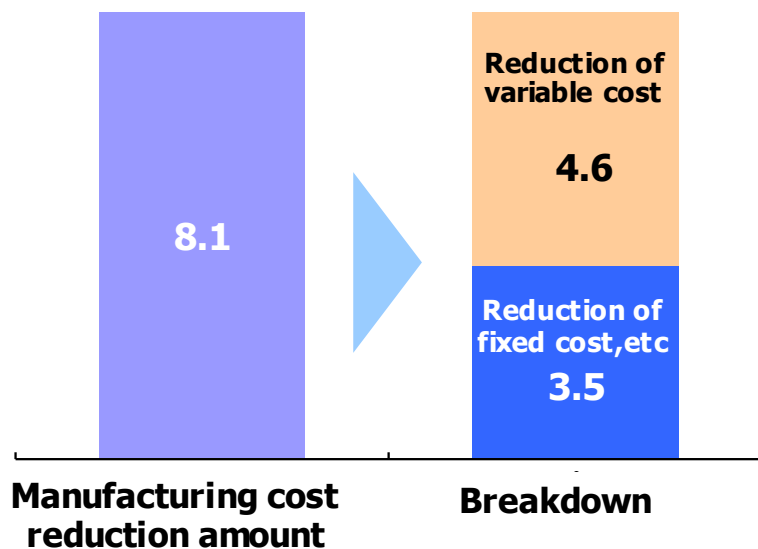
Business Technology Business

- Status of manufacturing cost reductions and SG&A expenses

- Production cost reduction:
This compensated for an increase in fixed costs related to reorganization of Chinese production sites. Progress was made through the period in line with plans in measures to reduce production costs, which included reducing fixed costs through promotion of production reform and unit procurement, centralized purchasing of raw materials and digital components, and VE activities.
- SG&A expenses:
Costs increased due to M&As while systematic investment was made to strengthen sales and transform the business portfolio.

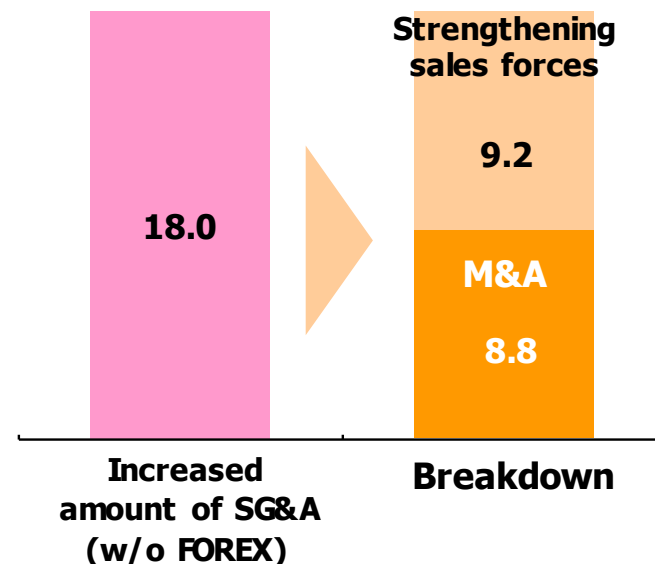
Manufacturing cost reductions (YoY w/o FOREX)

[¥ billions]



SG&A breakdown (YoY increase amount w/o FOREX)

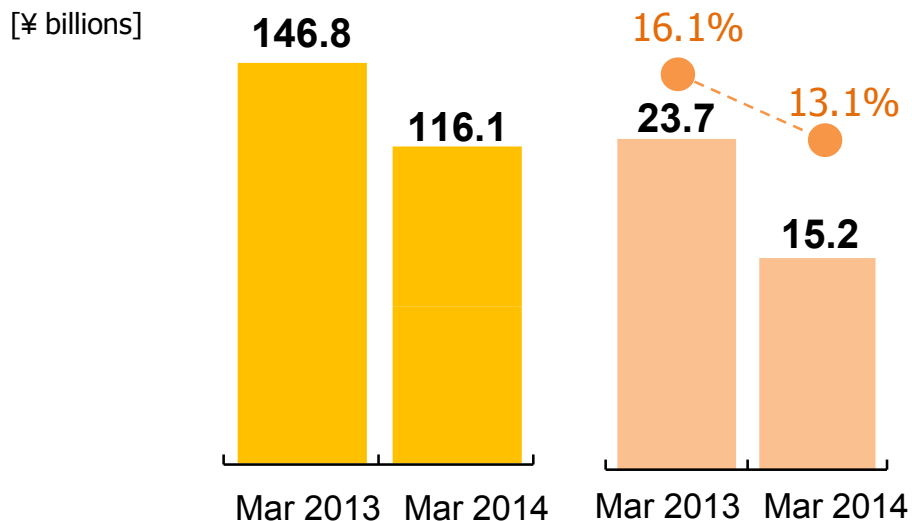
[¥ billions]



- Net sales: ¥116.1 bil. (YoY -21%)**
 Sales of performance materials were down due to a decline in sales of TAC films. In optical systems, sales of glass substrates for HDDs and lenses for mobile phones decreased in line with structural reform measures while sales of measuring instruments and interchangeable lenses remained solid.
- Operating income: ¥15.2 bil. (YoY -36%)**
 Operating income decreased for performance materials due to a decline in sales of TAC films, and increased for optical systems due in part to the effect of M&As in sensing devices.

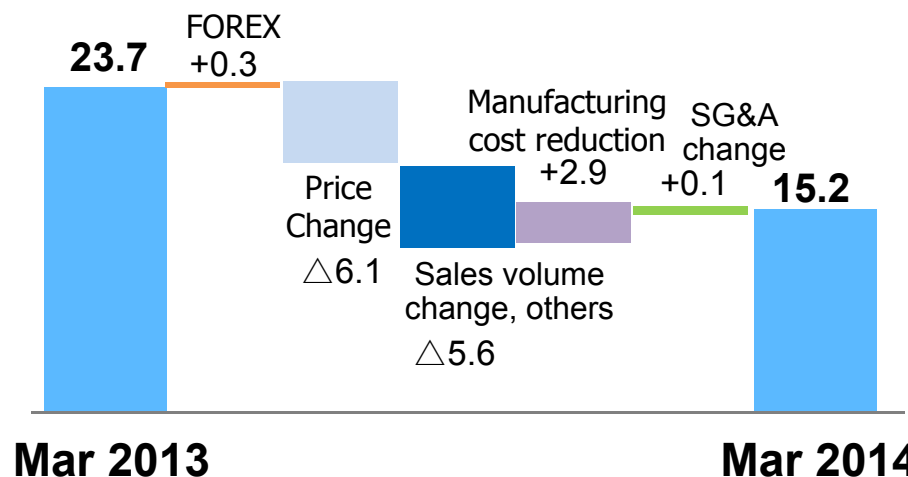
Net sales/Operating income (YoY)

Left: Net sales Right: Operating income ● OP Ratio



Operating income analysis

[¥ billions]



Industrial Business - Sales performance

- In sensing devices, the effect of M&As contributed throughout the period. The Company achieved a significant increase in sales. The Company also secured sales volumes by working to expand the number of products in interchangeable lenses amid tough market conditions.
- Efforts were made to expand sales of TAC films for smartphones and tablets despite the impact of deterioration in the market for notebook PCs coupled with prolonged inventory adjustments and diversification in components and materials for TVs.

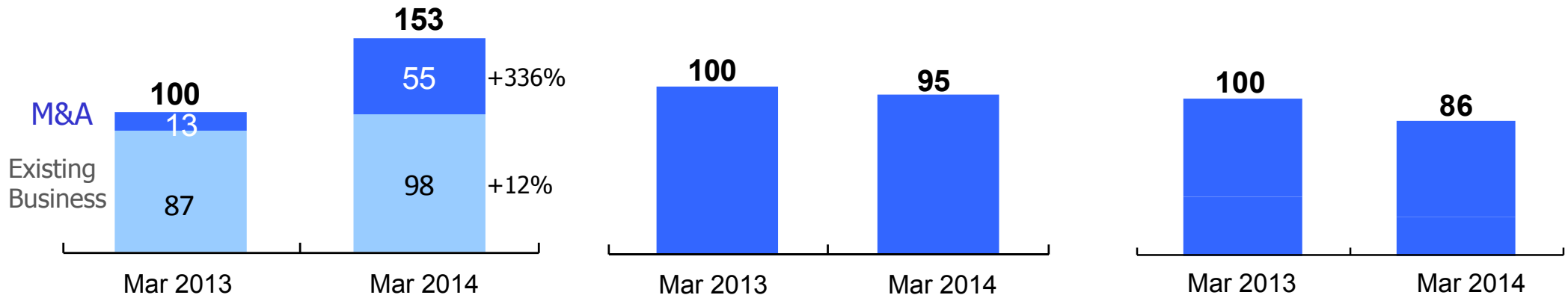
Measuring instruments(Net sales)

Inter changeable lenses for D-SLR

TAC films(Volume)

Mar 2013 Net sales of Measuring instruments business = 100

*Base index : Mar2013= 100



Healthcare Business - Overview

- Net sales: ¥82.4 bil . (YoY +13%)

Sales of core DR products expanded in all regions and we accelerated the shift to digital.

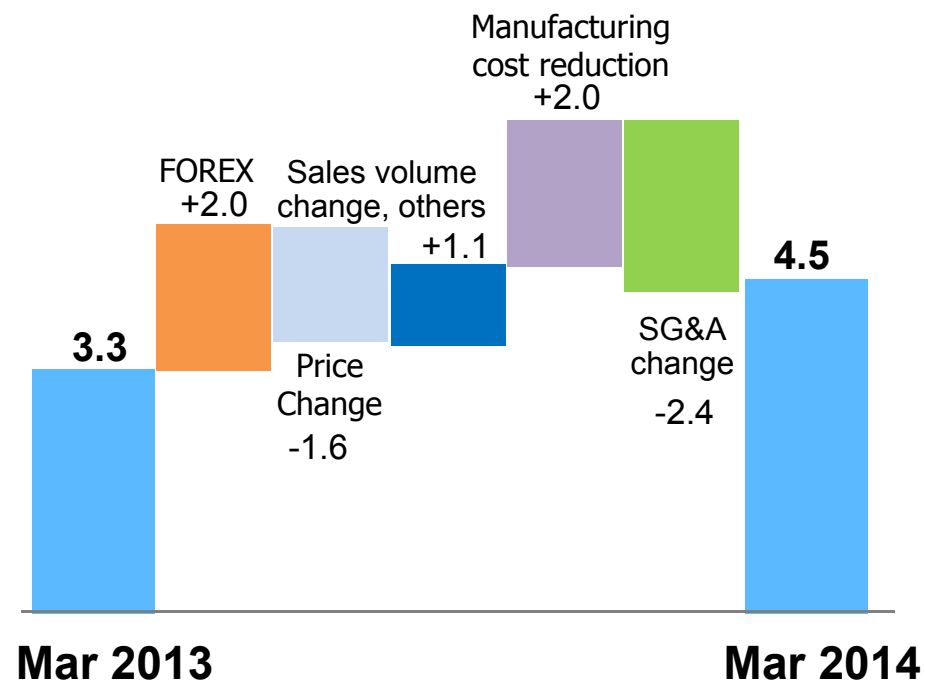
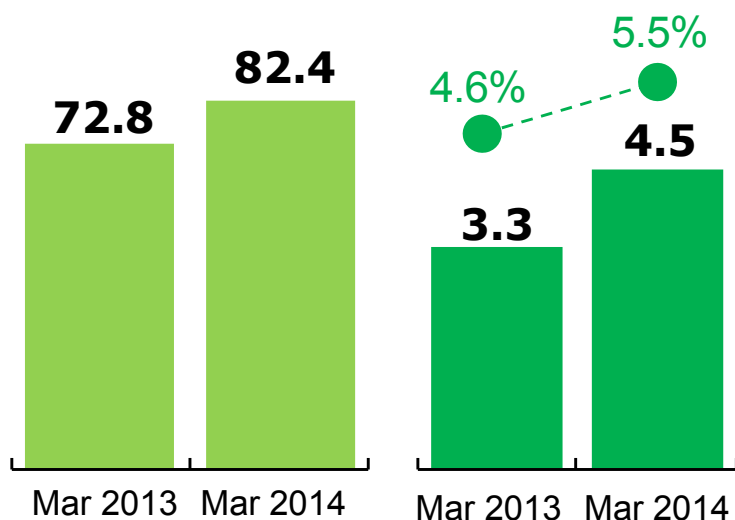
- Operating income: ¥4.5 bil. (YoY +34%)

In addition to sales growth and improvement in profit of films, foreign exchange rate gains absorbed an increase in expenses, thus driving higher profit.

Net sales/Operating income (YoY)

Operating income analysis

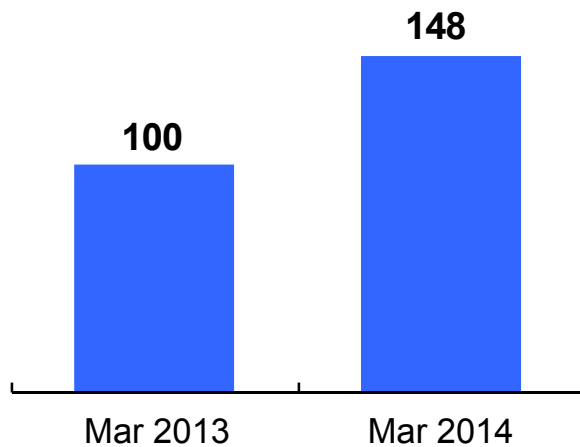
Left: Net sales Right: Operating income ●OP Ratio



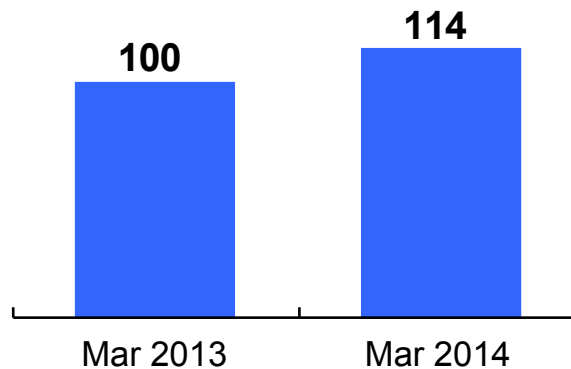
Healthcare Business - Sales performance (Units)

- Sales of DR products were solid in the Company's sales channels and we continued to introduce such products to prominent medical institutions. Sales collaborations overseas steadily built up the number of contracts despite initial delays.
- Sales of DRY film overseas compensated for the decline in sales in Japan, helping secure volumes on par with the previous year.

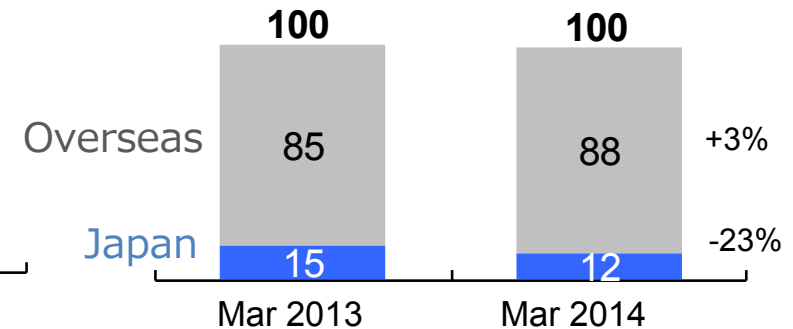
AeroDR



CR (strategic products)



Dry films



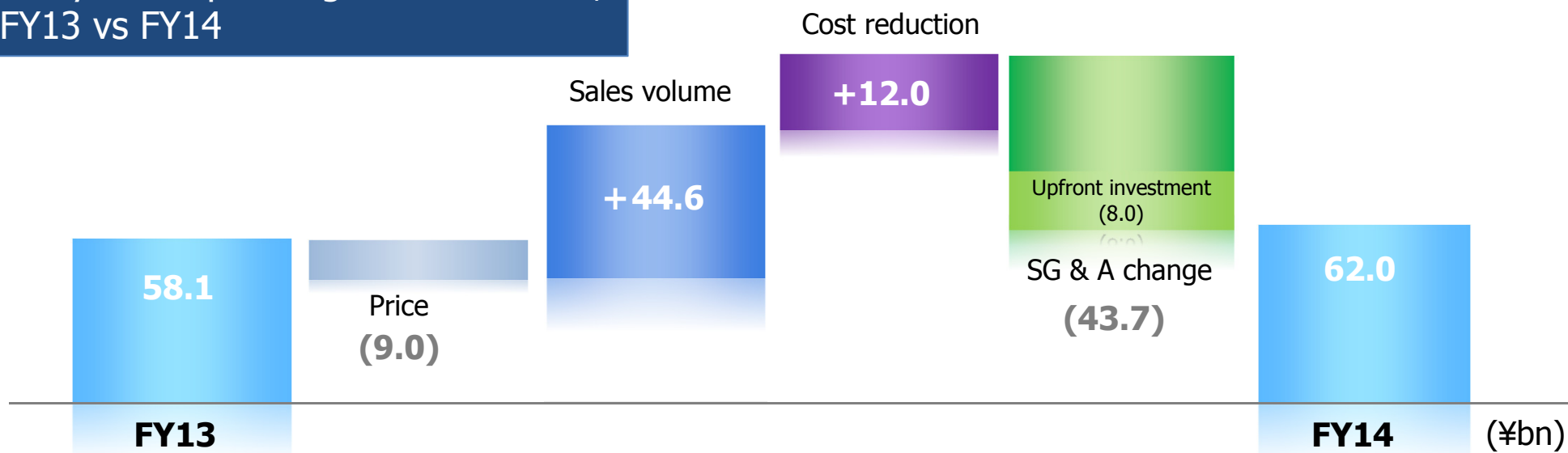
*Base index : Mar2013= 100

- Net sales : ¥1 trillion (YoY +6%)
- Operating income : ¥62.0 bn (YoY +7%)
- Net income : ¥26.0 bn (YoY +19%)
- ▶ FOREX assumption: 1 US\$ = ¥100 1 euro = ¥135
- Dividend forecast : Increase by ¥2.5 per share on a year-on-year basis for a total of ¥20 per share (total annual)
*Interim and year-end dividends: ¥10 per share each

Key Points of FY2014 Performance Forecast

Achieve increased profitability while investing to speed up our transformation and achieve sustained growth.

Analysis of operating income factors,
FY13 vs FY14



Breakdown of ¥8bn in upfront investment

Provide service	¥4bn	Human investment in service businesses, building GMA support system, strengthening OPS growth countries, strengthening BIC
R&D	¥2bn	Strengthening next-generation engine, developing technology that coexists with the cloud and mobile applications, developing high-picture-quality probes
New business	¥2bn	Developing new performance materials businesses



KONICA MINOLTA

Supplementary Information



Results for March 2014 – Group highlights

[Billions of yen]

	Mar 2014	Mar 2013	YoY	4Q Mar 2014	4Q Mar 2013	YoY
Net sales(a)	943.8	813.1	16%	260.9	235.3	11%
Gross income	451.5	375.6	20%	123.7	105.8	17%
<i>Gross income ratio</i>	47.8%	46.2%		47.4%	45.0%	
Operating income	58.1	40.7	43%	19.2	13.6	42%
<i>Operating income ratio</i>	6.2%	5.0%	-	7.4%	5.8%	-
Amortization of goodwill	9.4	9.9	-5%	2.2	2.8	-21%
Operating income before amortization of Goodwill (b)	67.5	50.5	34%	21.5	16.4	31%
<i>(b)/(a)</i>	7.2%	6.2%	-	8.2%	7.0%	-
Ordinary income	54.6	38.9	40%	17.9	12.8	40%
Pre-tax Profit	23.5	33.8	-31%	9.6	10.9	-12%
Net income	21.9	15.1	45%	11.1	4.8	130%
<i>Net income ratio</i>	2.3%	1.9%	-	4.2%	2.0%	-
EPS [Yen]	41.38	28.52		20.99	9.06	
CAPEX	47.4	38.4		16.1	13.5	
Depreciation	47.4	46.0		12.2	12.7	
R&D expenses	71.2	71.5		18.7	18.1	
FCF	34.2	3.0		10.4	16.8	
Investment and lending	14.5	29.6		4.7	2.0	
FOREX [Yen] USD	100.24	83.10	17.14	102.78	92.42	10.36
euro	134.37	107.14	27.23	140.79	122.04	18.75

Results for March 2014 – Segments

Net Sales	[Billions of yen]					
	Mar 2014	Mar 2013	YoY	4Q Mar 2014	4Q Mar 2013	YoY
Business Technologies	729.8	581.6	25%	203.6	176.5	15%
Industrial Business	116.1	146.8	-21%	25.8	32.4	-20%
Healthcare	82.4	72.8	13%	27.2	22.7	20%
Others	15.4	11.9	-	4.3	3.8	-
Group total	943.8	813.1	16%	260.9	235.3	11%

Operating income										
	Mar 2014		Mar 2013		YoY	4Q Mar 2014		4Q Mar 2013		YoY
Business Technologies	63.9	8.8%	31.7	5.4%	102%	20.4	10.0%	13.3	7.5%	54%
Industrial Business	15.2	13.1%	23.7	16.1%	-36%	2.8	10.8%	2.1	6.6%	30%
Healthcare	4.5	5.5%	3.3	4.6%	34%	2.2	7.9%	2.2	9.6%	-1%
Eliminations and Corporate	-25.4	-	-18.0	-	-	-6.1	-	-4.0	-	-
Group total	58.1	6.2%	40.7	5.0%	43%	19.2	7.4%	13.6	5.8%	42%

March 2015 Forecasts – Segments

Net Sales	Outlook Mar 2015	Results Mar 2014	YoY
Business Technologies	800.0	729.8	10%
Office Services	600.0	567.1	6%
Commercial/Industrial print	200.0	162.8	23%
Industrial Business	110.0	116.1	-5%
Performance Materials	49.0	58.3	-16%
Industrial Optical Systems	61.0	57.8	6%
Healthcare	90.0	82.4	9%
Group Overall	1,000.0	943.8	6%

Operating income	Outlook Mar 2015		Results Mar 2014		YoY
Business Technologies	72.0	9.0%	63.9	8.8%	13%
Industrial Business	12.0	10.9%	15.2	13.1%	-21%
Healthcare	7.0	7.8%	4.5	5.5%	56%
Group Overall	62.0	6.2%	58.1	6.2%	7%

Operating profit analysis

[Billions of yen]

	Business Technologies	Industrial Business	Healthcare	Total
[Factors]				
Forex impact	25.8	0.3	2.0	29.3
Prince change	-3.3	-6.1	-1.6	-11.1
Sales volume change, and other, net	19.7	-5.6	1.1	10.9
Cost up/down	8.1	2.9	2.0	13.0
SG&A change, net	-18.0	0.1	-2.4	-24.7
[Operating income]				
Change, YoY	32.2	-8.5	1.2	17.5

	Business Technologies	Industrial Business	Others	Total
[Factors]				
Forex impact	7.5	0.0	0.3	8.0
Prince change	-0.4	-1.9	-0.4	-2.7
Sales volume change, and other, net	3.9	1.5	0.2	4.9
Cost up/down	1.6	-0.1	0.5	1.9
SG&A change, net	-5.5	1.1	-0.6	-6.5
[Operating income]				
Change, YoY	7.1	0.6	0.0	5.7

SGA, non-operating and extraordinary income/loss

[Billions of yen]

	Mar 2014	Mar 2013	YoY	4Q Mar 2014	4Q Mar 2013	YoY
SG&A:						
Selling expenses - variable	53.2	44.4	8.7	15.6	12.4	3.2
R&D expenses	71.2	71.5	-0.3	18.7	18.1	0.5
Labor costs	167.8	131.6	36.3	43.8	37.5	6.3
Other	101.2	87.4	13.8	26.4	24.2	2.2
SGA total*	393.3	334.9	58.4	104.5	92.2	12.3
	<i>* Forex impact:</i>		<i>+ ¥33.8 bn. (Actual: ¥24.7 bn.)</i>			<i>¥5.8 bn. (Actual: ¥6.5 bn.)</i>
Non-operating income/loss:						
Interest and dividend income/loss, net	-0.7	-1.0	0.3	-0.2	-0.4	0.1
Foreign exchange gain, net	-0.1	1.5	-1.6	-0.2	0.8	-1.0
Other	-2.7	-2.2	-0.4	-1.0	-1.2	0.3
Non-operating income/loss, net	-3.5	-1.8	-1.8	-1.4	-0.8	-0.6
Extraordinary income/loss:						
Sales of noncurrent assets, net	-2.0	-1.7	-0.3	-0.6	-0.4	-0.2
Sales of investment securities	0.0	0.1	0.0	0.0	0.0	0.0
Impairment gain/loss	-5.5	-2.9	-2.6	-5.1	-1.4	-3.7
Business structure improvement expenses	-3.5	-0.4	-3.2	-2.0	-	-2.0
Loss on business withdrawal	-16.1	-	-16.1	-	-	-
Special extra retirement payments	-4.7	-	-4.7	-1.6	-	-1.6
Other	0.7	-0.2	0.9	1.0	-0.2	1.2
Extraordinary income/loss, net	-31.1	-5.1	-26.1	-8.3	-1.9	-6.4



Cash flows

							[Billions of yen]	
							YoY	
			Mar 2014	Mar 2013	YoY	4Q Mar 2014	4Q Mar 2013	YoY
	Income before income taxes and minority interests		23.5	33.8	-10.3	9.6	10.9	-1.3
	Depreciation and amortization		47.4	46.0	1.4	12.2	12.7	-0.5
	Income taxes paid		-13.8	-13.5	-0.3	-3.6	-3.2	-0.3
	Change in working capital		32.9	0.1	32.7	9.8	10.5	-0.7
I.	Net cash provided by operating activities		89.9	66.5	23.5	28.0	30.9	-2.8
II.	Net cash used in investing activities		-55.8	-63.4	7.7	-17.7	-14.1	-3.5
I.+ II.	Free cash flow		34.2	3.0	31.1	10.4	16.8	-6.4
	Change in debts and bonds		-33.5	-15.0	-18.5	-25.3	3.9	-29.2
	Cash dividends paid		-9.3	-8.0	-1.3	-0.2	-0.1	-0.0
	Other		-19.2	-1.7	-17.5	-17.5	-0.6	-16.9
III.	Net cash used in financing activities		-62.0	-24.6	-37.4	-42.9	3.2	-46.1

	Mar 2014	Mar 2013	[Billions of yen] Change
Assets:			
Cash and short-term investment securities	188.5	213.9	-25.4
Notes and A/R-trade	220.1	194.0	26.1
Inventories	115.3	112.5	2.8
Other	65.4	59.2	6.3
Total current assets	589.3	579.6	9.7
Tangible assets	173.4	179.9	-6.5
Intangible assets	111.4	110.9	0.4
Investments and other assets	92.0	70.1	21.9
Total noncurrent assets	376.7	361.0	15.8
Total assets	966.1	940.6	25.5
Liabilities and Net Assets:			
Notes and A/P-trade	96.2	85.4	10.8
Interest bearing debts	196.1	224.9	-28.8
Other liabilities	193.6	163.8	29.8
Total liabilities	486.0	474.1	11.9
Total shareholders' equity*	478.4	464.9	13.5
Other	1.7	1.5	0.1
Total net assets	480.1	466.4	13.6
Total liabilities and net assets	966.1	940.6	25.5

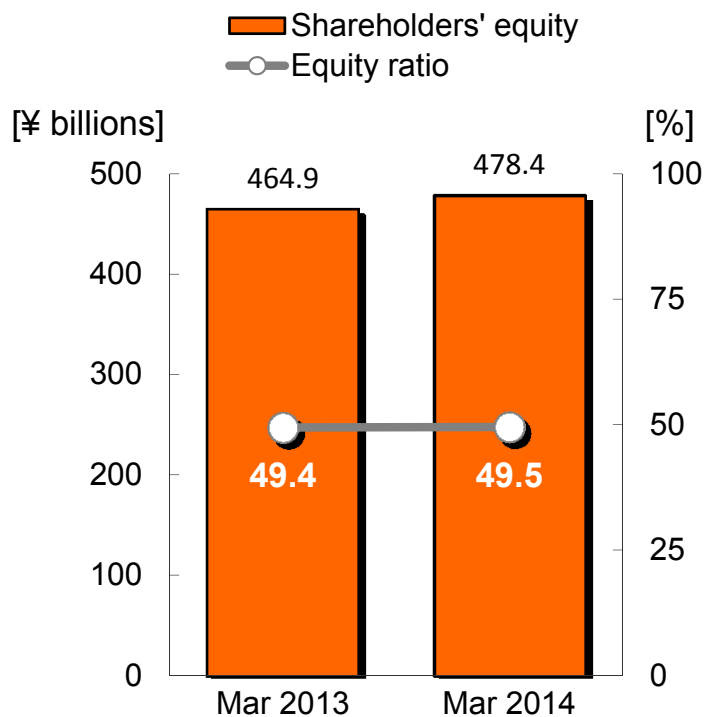
*Equity = Shareholders' equity +

Accumulated other comprehensive income

	Mar 2014	Mar 2013	[yen] YoY
US\$	102.92	94.05	8.87
euro	141.65	120.73	20.92

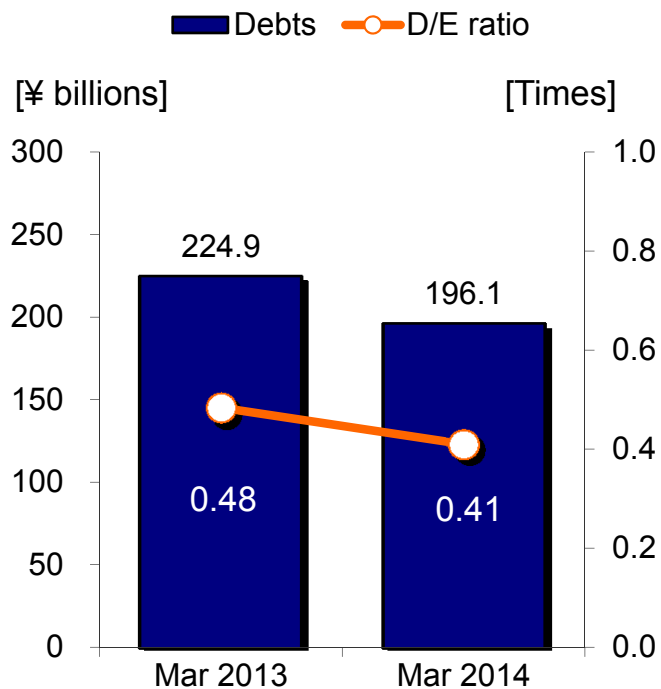
B/S – Main indicators

Equity & Equity ratio



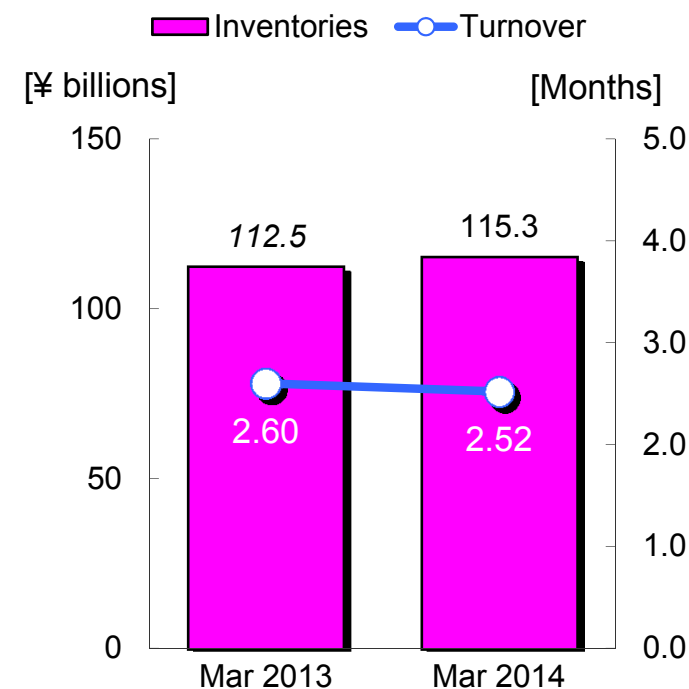
Equity ratio = Equity / Total assets

Interest-bearing debts & D/E ratio



D/E ratio = Interest-bearing debts at year-end / Shareholders' equity at year-end

Inventories & Inventory turnover



Inventory turnover (months) = Inventories at period-end / Average cost of sales per month

*Equity = Shareholders' equity + Accumulated other comprehensive income

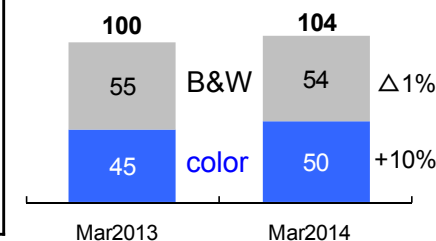
Business Technologies Business - Sales performance

A3 Office MFPs (Units)

<Growth rate of units by regions (YoY)>

12M	Japan	U.S.	Europe	Others	Total
Color	+8%	+8%	+12%	+8%	+10%
Mono	-23%	-14%	-3%	+6%	-1%
Total	-4%	-3%	+7%	+7%	+4%

4Q	Japan	U.S.	Europe	Others	Total
Color	+5%	+5%	+9%	+10%	+8%
Mono	-12%	-2%	-6%	+24%	+9%
Total	-1%	+2%	+4%	+20%	+9%

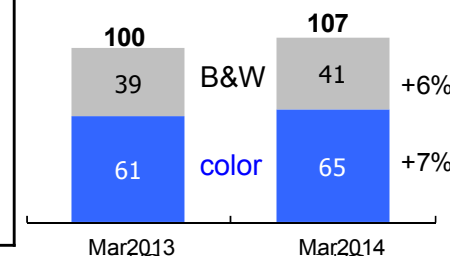


Production printing systems (Units)

<Growth rate of units by regions (YoY)>

12M	Japan	U.S.	Europe	Others	Total
Color	+42%	+1%	+7%	+2%	+7%
Mono	-31%	+5%	+14%	+11%	+6%
Total	+16%	+3%	+9%	+6%	+7%

4Q	Japan	U.S.	Europe	Others	Total
Color	+56%	-9%	-1%	0%	+2%
Mono	-17%	+25%	+19%	+16%	+19%
Total	+34%	+7%	+4%	+5%	+7%

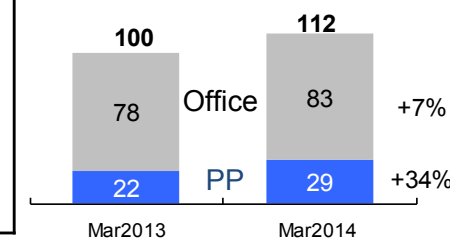


Non-hardware (local currency-based, w/o FOREX) (Value)

<Growth rate of non-hard sales by regions (YoY)>

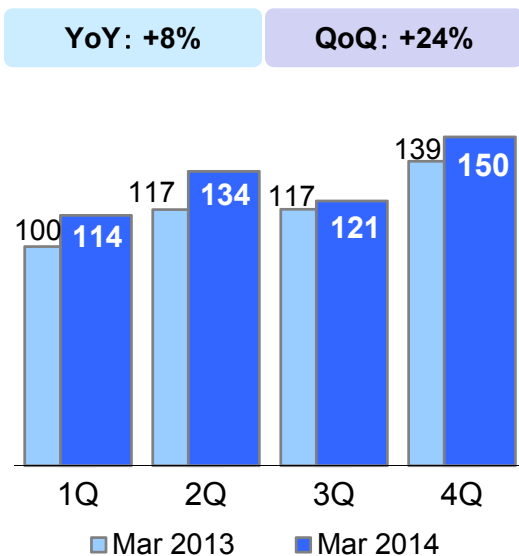
12M	Japan	U.S.	Europe	Others	Total
Office	+2%	+2%	+10%	+17%	+7%
PP	+14%	+8%	+69%	+91%	+34%
Total	+2%	+15%	+21%	+31%	+12%

4Q	Japan	U.S.	Europe	Others	Total
Office	+11%	-1%	+2%	+15%	+4%
PP	+15%	+10%	+14%	+55%	+16%
Total	+5%	+2%	+5%	+23%	+5%

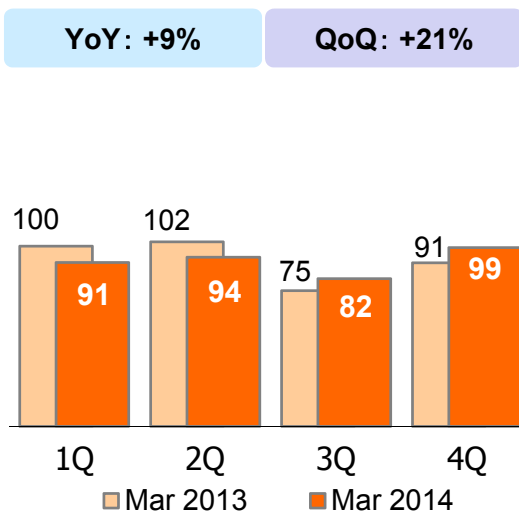


Unit sales trend: Business Technologies

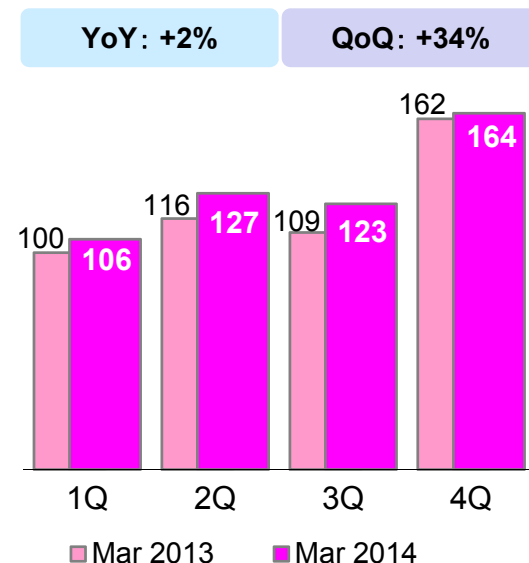
A3 color MFP – Units*



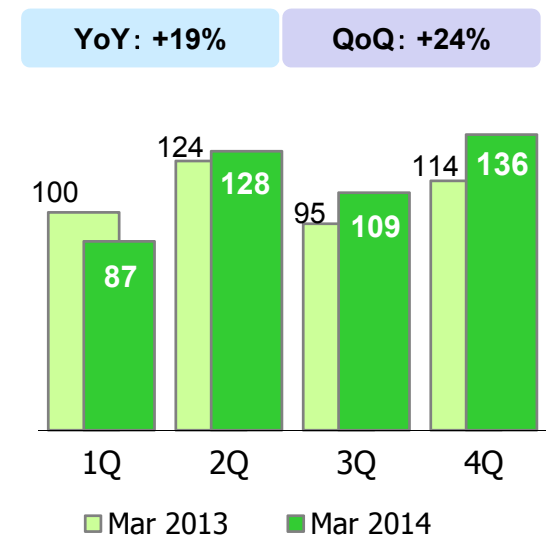
A3 mono MFP – Units*



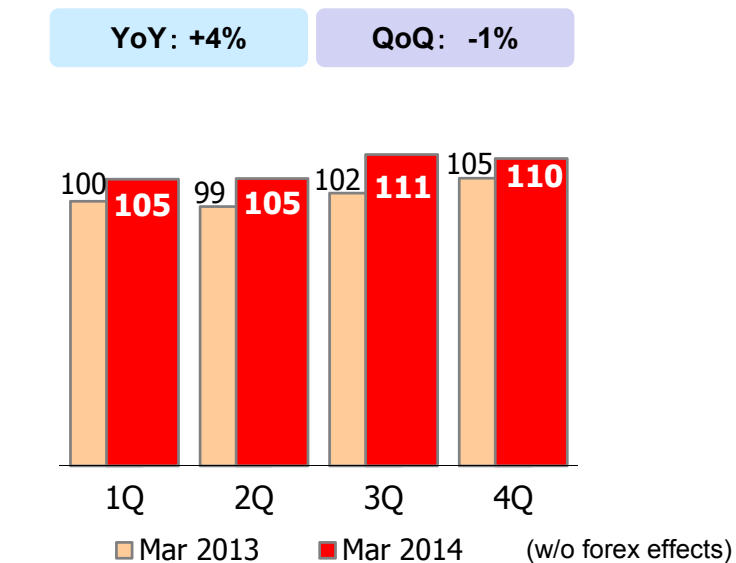
Color Production Print – Units*



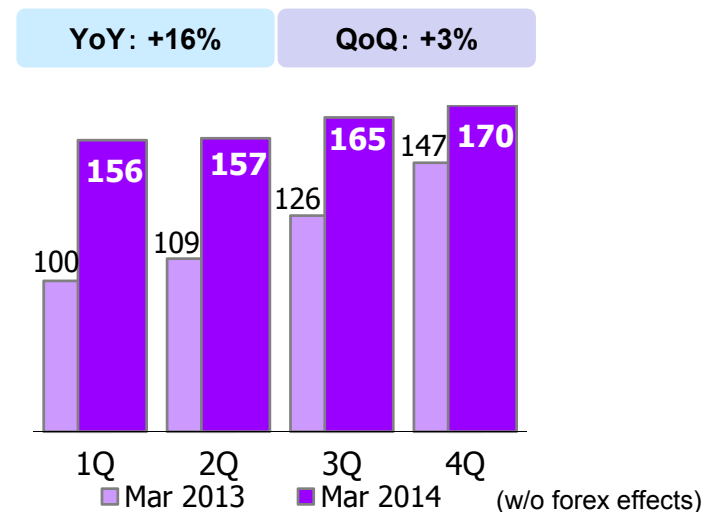
Mono Production Print – Units*



Office Non-hardware *



Production Non-hardware*

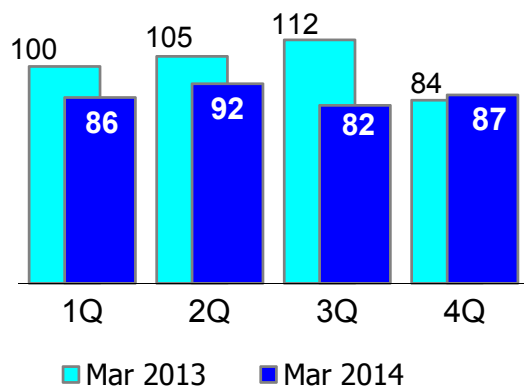


Unit sales trend - Industrial Business

TAC film – Volumes

YoY: +3%

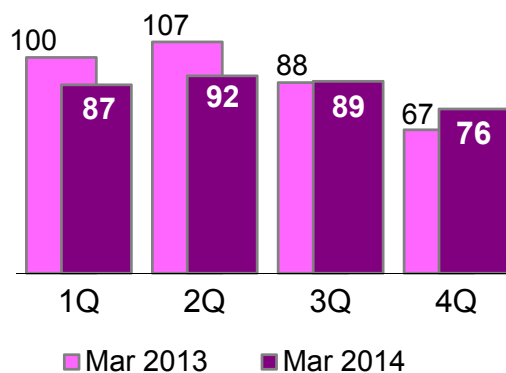
QoQ: +6%



Interchangeable lenses for DSLR – Units

YoY: +14%

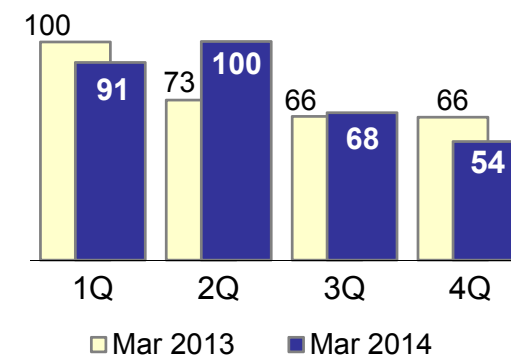
QoQ: -14%



Color meters – Units

YoY: -17%

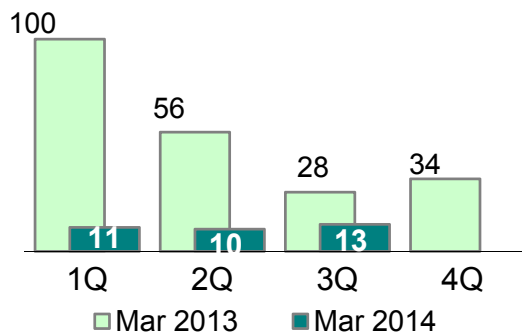
QoQ: -20%



Glass substrates for HDDs – Units

YoY: -

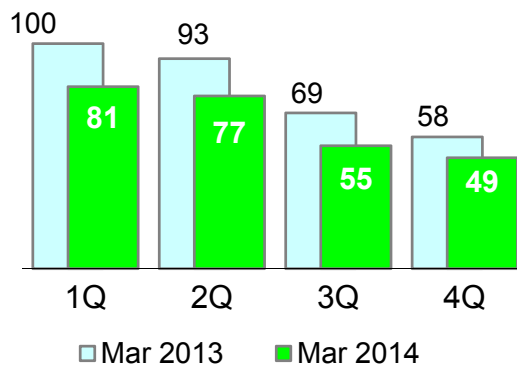
QoQ: -



Optical pickup lenses – Units

YoY: -16%

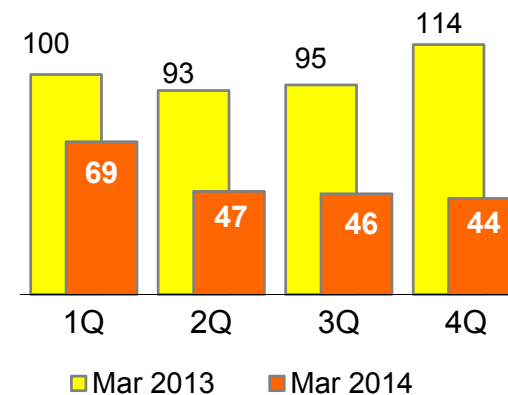
QoQ: -10%



Mobile phone components – Units

YoY: -62%

QoQ: -5%



* Base index : "1Q Mar2013" = 100